

# Johnson and johnson: a case study on sustainability reporting



**ASSIGN  
BUSTER**

## Johnson and Johnson: A Case Study on Sustainability Reporting

## Question 1:

Sustainability reporting can prove advantageous for organizations and is becoming increasingly popular as more and more stakeholders are seeking transparency of all business affairs. Sustainable Development Reporting, “SDR” can go a long way to enhance the reputation for organizations as it dictates to stakeholders how business metrics back up the “rhetoric” utilized by executives (Borkowski *et al* , 2010, pg. 2) SDR essentially proves to stakeholders and consumers exactly how the company is performing. On the other hand, if a company is not doing well – SDR gives the organization a chance to explain why and outline the positive steps it will take towards improvement. Essentially, it helps to show how the organization manages risk and seeks continuous process improvement. Additionally, it helps attract more shareholders that are seeking “long-term” horizons, which can help to create financial value. (Borkowski *et al* , 2010, pg. 2) By seeing exactly how an organization is performing and understanding how the organization plans to proceed in the future, this helps to foster trust with shareholders/consumers and helps to ensure long-term loyalty.

Some disadvantages/challenges of sustainability reporting come with being transparent on all business processes. As mentioned above, it is far more difficult for an organization to fully report its processes if the metrics are bad. This may cause them to lose shareholders, lose trust, etc. Ultimately, however, it does allow them to take advantage of the situation and prove to the shareholders exactly how the company will seek improvement. This is far

better than news of the poor performance leaking and spreading before the company has a chance to explain. This becomes a Public Relations issue and can be disastrous to the organization's reputation. Additionally, SDR takes a lot of time. Management must decide " what activities need to be measured and identify the best metric for measurement" (Borkowski *et al* , 2010, pg. 4) This is not clear-cut and can cost the organization a lot of money through time spent working on the SDR. Ultimately, the business must see this time spent as an investment into their future.

Johnson & Johnson's 2017 Health and Humanity Report addresses several areas regarding sustainability. Some areas that stand out when reviewing the document are: " 25% of the Company's electricity use is from renewable energy sources," " 51% of supplier spend representatives are enrolled in sustainable procurement program," the company's Sweden location achieved carbon neutral status " for all energy sources across manufacturing, R&D, and warehouse facilities" etc. (Johnson & Johnson, 2017, pg. 7). Johnson & Johnson is ultimately driven by their " credo" that inspires them to " put the needs and well-being of the people" they " serve first" (Johnson & Johnson, 2017, pg. 7). Putting people first is what drives all their sustainability reporting, as the case states the order of stakeholders, they address are the " customers, employees, community and then the shareholders" (Borkowski *et al* , 2010, pg. 8). The five main topics that J&J focuses on are the following " Better Health for All, Innovation, Our People, Environmental Health, and Responsible Business Practices" (Johnson & Johnson, 2017, pg. 11). The H&H report goes on to detail each of these areas

and how the company is striving to meet goals for them.

Question 2:

Johnson & Johnson reports annually on all their progress, which includes an independent review “ and assurance of progress and associated data” (Johnson & Johnson, 2017, pg. 8). As mentioned above, the “ priorities” (which can be seen as drivers) are “ Better Health for All, Innovation, Our People, Environmental Health, and Responsible Business Practices” (Johnson & Johnson, 2017, pg. 11). Within these 5 sections are specific topics (such as Climate & Energy, Waste, Corporate Governance, etc.) that ultimately align with their Health for Humanity Report. These topics are also classified into which value chain stage they belong to (such as R&D, Raw Materials, Manufacturing, etc.). Johnson and Johnson’s Health for Humanity 2020 Goals are considered their “ Key Performance Indicators of our citizenship and sustainability approach and have processes in place to measure and track progress” (Johnson & Johnson, 2017, pg. 11). Each topic presented has an overarching goal, followed by the targets for how to achieve it (such as donating specific amounts of vaccinations, activate partnerships, reduce carbon emissions by specific amounts, etc.). Progress made each year is measured against the goals set to achieve by 2020. (The line items even identify whether they are on track or not). Specific percentages and costs are identified. (Example - their target of increasing recyclability of consumer packaging to a specific target is off track.)

Throughout the Sustainability Report, specific GRI identifications are listed.

Examples include “ GRI-102-43” “ GRI-102-18” “ GRI 102-19,” etc. When

looking these up, they identify things like “ Approach to Stakeholder  
<https://assignbuster.com/johnson-and-johnson-a-case-study-on-sustainability-reporting/>

Management” “ Governance Structure” “ Delegating Authority,” etc. (GRI, 2016). Essentially, these identify the GRI standard that the specific section corresponds to. As stated in the case, GRI lists help them to be able to coordinate what they are reporting and “ provide consistency” on what is reported year to year. (Borkowski *et al* , 2010, pg. 10) Ultimately, they attempt to align their report with GRI standards as much as possible, but do not solely follow them. Table 3 of the case gives examples of sustainability metrics to “ measure inputs, processes, outputs and outcomes” (Borkowski *et al* , 2010, pg. 5) Johnson & Johnson’s sustainability metrics, when broken down in their 2020 goals, are much more specific in nature, and are ultimately driven by their business interests.

### Question 3:

Although the use of an accountant may not seem like the obvious place to start with an organization’s efforts to become sustainable, this role is still very important. Managerial accountants measure “ the full costs of a firm’s products and services and to correctly assign them to the appropriate parts of the business. This is important in order to better understand the profitability of their products, product lines, departments and customers and to make more informed decisions” (Wiley, 2014, pg. 57). By having a clearer picture of how exactly environmental issues drive costs, this can help to improve margins, decrease inefficiencies, and potentially reduce costs. (Wiley, 2014, pg. 59) Managers who do not consult accountants may miss certain hidden costs, and this can result in an inaccurate representation of what is published in the sustainability report. If these inaccuracies were

made known to the general public, this could lose consumer trust and damage reputation.

As stated above, Johnson & Johnson not consulting accounting staff for their sustainability reports could result in inaccuracies in the information presented. Though the report states that “ assumptions are used that could result in an overstatement or understatement,” metrics could potentially be improved by utilizing their managerial accounting staff. (Johnson & Johnson, 2017, pg. 25) Additionally, utilizing this resource will ensure that checks and balances are being done on all data. Johnson & Johnson would be able to issue an assurance statement that will look at “ the accuracy, completeness reliability, balance, and fairness of the report” (Wiley, 2014, pg. 71). This ultimately gives the report more credibility. Although there are no current regulations or standards for this now, it is a preventative measure that will ultimately benefit the organization.

#### Question 4:

Triple Bottom Line Reporting was first introduced in 1994 by a man named John Elkington and ultimately measures a company’s degree of “ social responsibility, economic value, and environmental impact” (Kenton, 2019). This is what ultimately coins the phrase “ People, Planet, Profit.” I agree that Johnson & Johnson has essentially taken this concept and made it their own. As stated in the case, and upon reading the 2017 Sustainability report, they already report all the costs of being sustainable and these three concepts are core to J&J’s very credo. While I believe that J&J could benefit from accounting review, I do not think it necessary to follow this specific format as

it does not create any value to their stakeholders.

Question 5:

According to the textbook, materiality is “ determining the relevance and significance of an issue to an organization and its stakeholders. A material issue is an issue that will influence the decisions, actions, and performance of an organization or its stakeholders” (Wiley, 2014, pg. 61). Essentially, material will have an impact on net income, but it is very difficult to measure the exact amount that could affect an organization’s performance.

Organizations each differ in many ways, and something that is material for one might not be for a different one. Additionally, not all issues identified may impact the long-term success of the organization. (Wiley, 2014, pg. 61)

The processes of what is priority and what levels of materiality to use are ultimately determined by the management of the organization. Johnson & Johnson most likely does not follow a specific set of guidelines because the company values its issues differently than what is standardized.

## References

- Borkowski, S., Welsh, M. J., & Wentzel, K. (2010). Johnson & Johnson: A Case Study on Sustainability Reporting. *IMA Educational Case Journal*, 3(2), 1st ser., 1-15. doi: 10. 4135/9781526427960
- GRI. (2016). GRI 102: General Disclosures 2016. Retrieved from <https://www.globalreporting.org/standards/gri-standards-download-center/gri-102-general-disclosures/>
- Johnson & Johnson. (2017). *2017 Health for Humanity Report* (Rep.). doi: [http://healthforhumanityreport.jnj.com/\\_document?id=00000163-c350-ddb7-a17b-e3fcebe60001](http://healthforhumanityreport.jnj.com/_document?id=00000163-c350-ddb7-a17b-e3fcebe60001)

<https://assignbuster.com/johnson-and-johnson-a-case-study-on-sustainability-reporting/>

- Kenton, W. (2019, February 08). Triple Bottom Line (TBL). Retrieved from <https://www.investopedia.com/terms/t/triple-bottom-line.asp>